
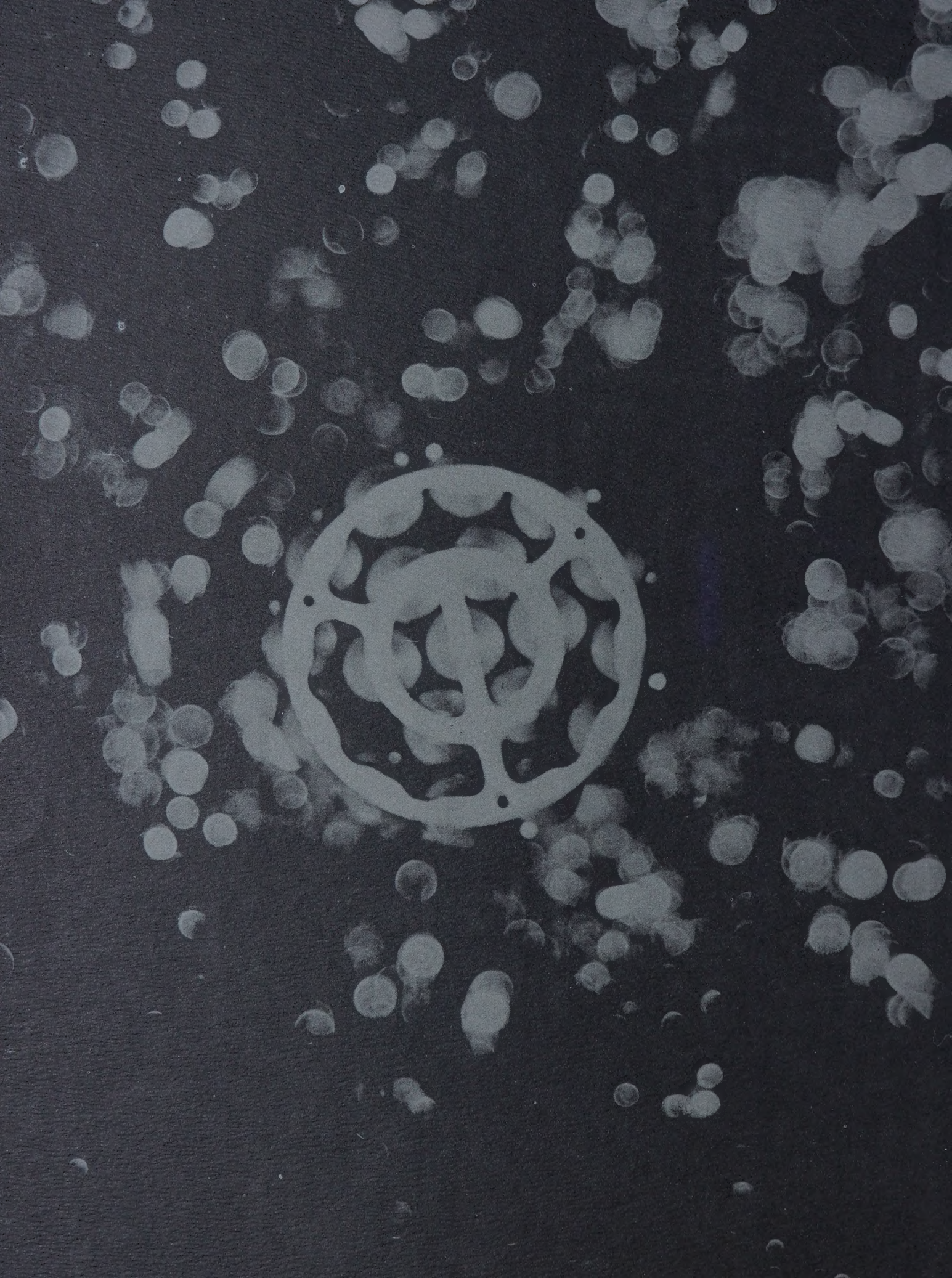


AR79

 ELDORADO NUCLEAR LIMITED



Annual Report
1974





1974 ANNUAL REPORT Eldorado Nuclear Limited

Honourable Donald S. Macdonald, P.C., M.P.,
Minister of Energy, Mines and Resources,
Ottawa, Ontario.

Sir:

On behalf of the Board of Directors, and in accordance with Section 85(3) of the Financial Administration Act, I have the honour to submit the Annual Report of Eldorado Nuclear Limited for the year ended December 31, 1974. Incorporated herein, also, is my report on the 1974 operation of the wholly-owned subsidiary, Eldorado Aviation Limited.

When I assumed the post of Chairman, late in the year, to be succeeded as President by Nicholas M. Ediger, whose comments follow, it was not without satisfaction that I looked back upon the earlier months of the year to recognize that the long-predicted turning-point in the fortunes of the uranium industry had been reached; that for Eldorado, in particular, the difficult decision of the Board to sustain the Mine in the face of a complete lack of market for its product, had been proved to be a wise decision; and that the faith of the Government, as expressed by its loans to the Company to implement that decision, had indeed been justified. The Company today, now provided with a cash flow adequate for its immediate operating needs, due to sales of uranium concentrates negotiated in early 1974, stands poised to become an ever more important segment of the Canadian mining industry and a major supplier of fuels to an energy-hungry world.

Nevertheless, even the prices obtained in

these contracts, and in current contracts for refining services, do not reflect an adequate return on investment, nor will they provide the Company with the earnings necessary to attract capital in the very substantial amounts needed for the exploration and development of new properties and the expensive processing plants required for the nuclear power utilities' future fuel needs.

While Canada undoubtedly has great potential uranium reserves, they must be found, and the cost will be substantial. With the \$15,000,000 ear-marked by the Government for exploration by Eldorado Nuclear, a good start can be made — but only a start. As noted, the Company must continue to seek an increased return on its investment if it is to generate the funds required for the development of its high potential. Moreover, since the strength of any organization is a measure of the abilities and productivity of its people, your Company must continue to foster those policies which are conducive to attracting and retaining a skilled professional, technical and labour force.

The future presents exciting opportunities, together with some very formidable problems which will provide ample scope for the energies and skills of the Company's human resources in the days ahead.

W. M. Gilchrist

W. M. Gilchrist,
Chairman of the Board

ELDORADO NUCLEAR LIMITED

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa, Canada, K1P 5H3
General Administration Office: Port Hope, Ontario, Canada, L1A 3A1

DIRECTORS

| | | | |
|-----------------|--------------|------------------|--------------------|
| Marcel Bélanger | W.J. Bennett | Roger Blais | Nicholas M. Ediger |
| W.M. Gilchrist | W.F. James | W.S. Kirkpatrick | Gordon Lawson |

OFFICERS

Chairman of the Board: W.M. Gilchrist

President: Nicholas M. Ediger

Executive Vice President: C.G. Baschenis

Vice President, Marketing: J.C. Burger

Secretary: R.C. Powell

Treasurer: G.A. Frost

Asst. Secretary: G.R. Burton

DIVISIONAL MANAGERS

Exploration Division: D.D. Bell

Mining Division: C.F. Smith

Refining Division: G.F. Colborne

Research and Development Division: R.G. Dakers

DISTRICT OFFICES

Exploration, Refining and Sales, Port Hope, Ontario, L1A 3A1

Research Laboratories: Tunney's Pasture, Ottawa, Ontario

Beaverlodge Mine: P.O. Box 7010, Eldorado, Saskatchewan, S0J 0T0

Mining Division: 10040 — 105th Street, Edmonton, Alberta, T5K 2G9

Western Purchasing Office: 9945 — 108th Street, Edmonton, Alberta, T5K 2G9

SALES AGENCIES ABROAD

Europe: Wambesco International B.V., P.O. Box 1439, Parklaan 22, Rotterdam, Netherlands

Japan: Marubeni Corporation, P.O. Box Central 595, Tokyo

ELDORADO AVIATION LIMITED

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa, Canada, K1P 5H3
OPERATIONS OFFICE: No. 2 Hangar, Municipal Airport, Edmonton, Alberta, T5G 2Z3

DIRECTORS

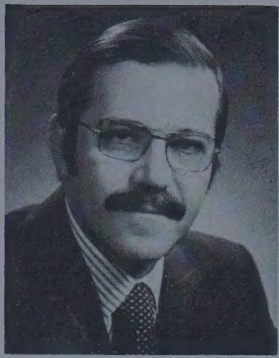
| | | |
|----------------|----------------|-------------------|
| A.B. Caywood | W.M. Gilchrist | P.L.P. Macdonnell |
| L.R. Montpetit | R.C. Powell | |

OFFICERS

President: W.M. Gilchrist

Secretary: R.C. Powell Treasurer: J.C. Orr

General Manager: G.G. Latham



PRESIDENT'S COMMENTS

After sustaining losses during the past five years, Eldorado Nuclear Limited reports a profit of \$2,638,000 for the year ended December 31st 1974. We are confident that our performance will continue to improve significantly as a result of better market conditions and expansion programs currently under way.

However, more favourable business conditions will continue to be offset to some extent by increased production costs which in 1974 ranged from 20% to more than 100%. While U_3O_8 prices rose substantially during the year as a result of demand pull, prices for UF_6 and other refined products did not increase sufficiently to preserve profit margins.

Therefore, future performance will, in large measure, result from our expansion programs which are designed to take advantage of the anticipated growth in demand for nuclear fuel.

During 1974, important steps were taken to increase production capacity at our Beaverlodge mine/mill complex in Northern Saskatchewan. Approximately \$4.4 million of capital funds were spent to provide additional employee housing and on activities related to the rehabilitation of our facilities to provide optimum throughput.

Another \$1 million was spent at the Port Hope Refinery in Ontario to increase conversion capacity. We also initiated studies to determine the timing and location of additional uranium refining capacity which will be required in Canada in the future.

An aggressive exploration and acquisition program was launched during 1974 in an attempt to increase the Company's reserves. Most of the activity centered on properties in the Lake Athabasca region, where we are confident we can identify additional ore reserves close to our existing operations. In addition, we commenced a major joint

venture exploration program in the James Bay region of Quebec. These programs were funded under a grant from the Government of Canada intended to re-establish the Company as an important developer of Canada's uranium potential.

To optimize chemical and metallurgical processes employed in the extraction and refining of uranium, and in the manufacture of nuclear fuel, Eldorado's research and development programs in Ottawa and Port Hope were accelerated. Greater emphasis was also placed on finding new processes that would reduce or eliminate the potentially adverse effects of uranium operations on the environment.

In order to manage these expansion programs, develop new business strategies, and maintain effective control of operating costs, the Company took steps to improve its organizational structure. Additional staff have been recruited to help us accomplish our new corporate objectives and the headquarters in Ottawa has been expanded.

As the new President and Chief Executive Officer of Eldorado Nuclear Limited, I will use my best efforts to fulfill my normal obligations to ensure the financial success of the Company. However, I consider that I have an even greater responsibility to make Eldorado a leader in all aspects of nuclear fuel development, from the production of yellowcake through conversion to fuel fabrication, plus reprocessing and residue management. To the greatest extent possible, I feel that the Company must direct its efforts to those areas that have a maximum social payout: health, safety, the environment, waste control and recycling of nuclear products. We must also direct our efforts toward the development of new products for the domestic and international nuclear markets — among them, spent fuel casks, depleted uranium alloys and zirconium metal. It is my intention to ensure that Eldorado Nuclear Limited takes full advantage of all the opportunities offered by the rapidly expanding demand for nuclear energy.

A stylized, handwritten signature in dark ink.

Nicholas M. Ediger,
President

GENERAL REPORT

for the year ended December 31, 1974

FINANCIAL

In 1974, for the first time in almost ten years, a net reduction in uranium concentrates inventories was effected as international market opportunities improved significantly and prices firmed. As a result, financial losses for five consecutive years, totalling in the aggregate \$12.7 million (\$2.9 million in 1973), have rebounded to a profit of \$2.6 million for 1974, after special write-offs and adjustments. Sales at \$34,130,485 were some \$19 million higher than in 1973. After debt-servicing charges of \$3,574,373, net income before extraordinary items was \$5,587,742. After reflecting the extraordinary items comprised of a write-off of development costs and a gain on the sale of land, net income for the year was \$2,638,060. Loans from Canada at year-end, including interest, stood at \$58,337,435, of which \$5,292,760 is payable in 1975.

CAPITAL EXPENDITURES

Capital expenditures in 1974 amounted to \$5,405,601, comprised of some \$3.2 million for additional employee housing at Uranium City, \$1.2 million for miscellaneous mine and mill equipment, and \$1 million on expanded production facilities at the Port Hope Refinery.

MINING

Production was 1,147,545 pounds U_3O_8 from the milling of 167,119 tons. Ore reserves at year-end were 2,700,000 tons, grading 0.21% U_3O_8 , up slightly from year-end 1973.

In the face of long-term uranium contracts made during the year, assuring the future of the Beaverlodge operations, it was decided to proceed with a program to optimize production capacity. Accordingly, underground development was increased, and a start was made on the rehabilitation of various parts of the mill.

The additional personnel required for these projects, and the increasing activities planned for 1975 and future years, necessitated the

construction of 75 houses in Uranium City. The supply of skilled mining and milling personnel and tradesmen is limited.

However, largely because of the availability of accommodation for married employees under the Company's housing program, it has been possible to maintain the required work force.

Health-Safety

Investigations and field studies have indicated that uranium workers and those in certain other industries may be prone to a higher than normal incidence of lung cancer. While not completely known, the causes of cancer of the lung appear to be attributable primarily to toxic inhalants such as mustard gas, asbestos, arsenic, radon gas and cigarette smoke, associated with other unknown factors. In recent years, studies in Canada and the United States have attempted to devise reliable tests for the early detection of abnormalities which may represent early manifestations of this disease. In 1974, as an extension of these studies, some 600 Eldorado workers and other members of the community of Uranium City, participated voluntarily in a demonstration project designed to detect, at a potentially reversible or curable stage, early bodily changes which might progress to lung cancer. This program is being carried out in conjunction with the foremost researchers in the field, and is now being extended to former Eldorado employees.

For many years Eldorado Mine Rescue teams composed of both salaried and hourly workers, have practiced their skills and tested them in annual competitions. This year their efforts were crowned by winning both the Saskatchewan and the Canadian championships, in competition with 8 and 6 teams respectively.

OPERATIONS AT PORT HOPE

Production of natural ceramic uranium oxide (UO_2) in 1974, was again in excess of 1,000,000

pounds, and this output was dedicated to the CANDU system. To date, Eldorado Nuclear has supplied all the UO_2 required for the CANDU reactors in Canada, and the first cores for CANDU reactors abroad.

In the other main area of refinery operations, UF_6 conversion — demand continued to rise in 1974. A number of utilities in the United States and overseas were supplied with UF_6 for subsequent enrichment and fabrication into first core and re-load reactor fuels.

Metallurgical operations were maintained at a high level throughout the year. Major programs involved the production of enriched uranium zircalloy (U-Zr) for Bruce booster fuel, enriched uranium carbide (U-C) for the Whiteshell reactor, depleted uranium metal castings for a number of applications, including the large GE IF-300 spent fuel transport cask, and a very comprehensive development program for both the Chalk River and Whiteshell establishments of Atomic Energy of Canada Limited. The development and production of other high density fuel materials continued unabated throughout the year.

Eldorado Nuclear continues to play a significant role in experimental and development programs (funded by AECL) in fuel design for CANDU reactors.

Since the Company has contracted to produce UF_6 from concentrates of various origins and characteristics, it became necessary to add falling stream sampling capability in addition to the auger sampling facility. This came on stream in 1974, and each method will be used to the extent dictated by the type of concentrates being sampled.

RESEARCH AND DEVELOPMENT

The main thrust of the R&D Division in 1974 was in the development of new processes and modifications of the existing processes at the Port Hope Refinery. The work included pilot plant testing of a new process for production of UF_4 , and the ammonium uranate process for the production of ceramic UO_2 . Technical assistance was given to the UO_3 and UF_6 plants for evaluation of chemical feeds, clarification of feeds, capacity testing of the Mixco SX column, production of UO_3 with low Th content, copper plating of fluorine cell

anodes, and measurement of fluorine cell production. Other pilot plant programs investigated the removal of chloride from nitric acid and the use of air pulse columns in the solvent extraction process.

Development work on Beaverlodge projects involved investigations into both the corrosion effect of the increased chloride content in mill solutions, and methods of chloride removal. A satisfactory answer to the latter problem will have a beneficial effect on operating costs.

Research activity in the Ottawa laboratories centred on the investigation of the ammonium uranate process for which a Canadian patent has been filed. Studies on the physical and chemical properties of ceramic UO_2 continued. Other programs investigated the thermal denitration of uranyl and various metal nitrates, the recovery of nitric acid from plant effluents, and the recovery of uranium from scrap materials. Work on new products and methods involved the preliminary investigation of the amine solvent extraction of zirconium from a sulphuric acid system, and the leaching of zirconium from baddeleyite ore. Literature studies on the extraction of uranium from low-grade ores and the processing of thorium from ore to nuclear grade product were also carried out.

MARKETING

New contracts for the sale of uranium as UF_6 were entered into during the year, for deliveries through 1985. In addition, contracts for UF_6 custom conversion services and metallurgical services were concluded. The export sales contracts for uranium have been submitted to the Atomic Energy Control Board for approval.

Internationally, the market for uranium evidenced increased volatility in 1974, and this trend is expected to continue for some time. Market conditions and developments were monitored closely, and continuing assessment was made of their possible impact on marketing strategies.

On-going marketing efforts in support of depleted uranium metal production and castings have greatly improved the Company's prospects for future business in

this area. Engineering work was completed on an Eldorado-designed spent fuel shipping cask made from depleted uranium. Licensing of the design is being sought from the appropriate regulatory agencies in Canada and abroad. This segment of the nuclear fuel cycle, including the production of other specialty alloys and nuclear-related metals, is rapidly growing in importance, and the Company is placing greater emphasis on this important and growing market.

EXPLORATION

After more than ten years of relative inactivity in exploration a promising start was made to prepare for resumption of aggressive exploration to locate economic uranium deposits in Canada. The impetus was provided by a grant of funds made by the government and coincided with an upturn in prices and demand for uranium in world markets.

The renewed importance of this aspect of Eldorado Nuclear's operation dictated a number of organizational changes. Exploration was given divisional status under a General Manager reporting to the President. Later a Western Area Manager — Exploration, located in Edmonton, was appointed.

A prerequisite for successful exploration is the assembly of highly motivated and technically qualified individuals into an exploration team. A start has been made and recruitment is continuing. Concurrent with assembling an expanded organization several specific projects were undertaken.

Two joint ventures were entered into in 1974. The principal one was with the James Bay Development Corporation and SERU Nucléaire (Canada) to search for uranium and other minerals on lands held by the James Bay group. The other joint venture agreement covers an underwater radiometric survey in Northern Saskatchewan.

An immediate exploration objective is to increase the reserve base of the Beaverlodge mine. To this end, an assessment of the geologic potential of the district was commenced. In addition, several near-by properties were acquired and are now undergoing investigation.

ORGANIZATION AND MANPOWER

The work force at December 31, 1974 reflects an increase of some 6 per cent over 1973 year-end, as shown in the following table:

| | Hourly Rated | Salaried | Totals | |
|-----------------------------|-----------------|----------|--------|------|
| | | | 1974 | 1973 |
| Beaverlodge Operations | 251 | 155 | 406 | 390 |
| Port Hope Refinery | 222 | 92 | 314 | 302 |
| Research and Development | | 25 | 25 | 22 |
| Marketing | | 7 | 7 | 7 |
| Exploration | | 12 | 12 | — |
| Head Office | | 33 | 33 | 29 |
| | 473 | 324 | 797 | 750 |

Wages and salaries paid by the Company in 1974 amounted to \$9,249,230 (1973 — \$7,929,337). The Company's contribution to group life, medical, and pension plans was \$772,476 (1973 — \$568,790).

As of October 1, 1974 W. M. Gilchrist assumed the newly-created position of Chairman of the Board and Nicholas M. Ediger joined the Board as President and Chief Executive Officer. Earlier in the year, the former Vice President, Administration and Finance, C. G. Baschenis, became Executive Vice President, and Mr. G. R. Burton was named Assistant Secretary succeeding D. D. Bell who became General Manager of the Exploration Division. In December, R. G. Dakers was appointed Manager of the Research and Development Division, headquartered in Ottawa.

ELDORADO NUCLEAR LIMITED

Statement of Income and Expense

for the year ended December 31, 1974

| | <u>1974</u> | <u>1973</u> |
|---|---------------------|-----------------------|
| Income: | | |
| Sales of products and services | \$ 34,130,485 | \$ 14,715,981 |
| Expense: | | |
| Cost of products and services sold | 23,060,427 | 13,271,846 |
| Scientific research | 590,788 | 489,588 |
| Administration | 556,476 | 413,586 |
| Exploration (Note 5) | 526,992 | 316,439 |
| Marketing | 542,887 | 390,739 |
| | <u>25,277,570</u> | <u>14,882,198</u> |
| Net income from operations | 8,852,915 | (166,217) |
| Other Income and Expense: | | |
| Interest and other non-operating income | <u>439,469</u> | <u>441,200</u> |
| Less: | | |
| Interest on loans from Canada | 3,574,373 | 3,193,221 |
| Other non-operating expense | 130,269 | 23,638 |
| | <u>3,704,642</u> | <u>3,216,859</u> |
| Net other expense | 3,265,173 | 2,775,659 |
| Net Income before Extraordinary Items | 5,587,742 | (2,941,876) |
| Gain on sale of land | 498,563 | — |
| Pre-production costs written off (Note 6) | <u>(3,448,245)</u> | <u>—</u> |
| Net Income (Notes 1 and 7). | <u>\$ 2,638,060</u> | <u>\$ (2,941,876)</u> |

The accompanying notes are an integral part of the financial statements.

ELDORADO N

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Balance Sheet as

| | <u>Assets</u> | |
|--|----------------------|----------------------|
| | <u>1974</u> | <u>1973</u> |
| Current Assets: | | |
| Cash | \$ 318,161 | \$ 189,336 |
| Short-term bank deposits | 5,800,000 | 4,300,000 |
| Accounts receivable | 15,677,014 | 3,400,974 |
| Inventories of concentrates and refinery products (Notes 1 and 2) | 50,988,816 | 52,545,666 |
| Operating and general supplies (Note 1) | 4,028,804 | 2,973,860 |
| Prepaid expenses | 158,243 | 160,247 |
| | <u>76,971,038</u> | <u>63,570,083</u> |
| Deferred accounts receivable in respect of concentrates delivered | <u>—</u> | <u>1,861,473</u> |
| Investments and Loans: | | |
| Investments in capital stock of wholly-owned subsidiary companies, at cost (Notes 1 and 3) | 187,153 | 187,153 |
| Employees' housing loans | 9,955 | 17,920 |
| Municipal Corporation of Uranium City and District, 5% to 8 $\frac{1}{4}$ % debentures at par, maturing 1975-85 | 421,784 | 514,086 |
| | <u>618,892</u> | <u>719,159</u> |
| Unamortized pre-production and mine development costs (Notes 1 and 6) | <u>3,473,852</u> | <u>7,498,768</u> |
| Property and Equipment: | | |
| Land, plant and equipment, at cost | 82,527,412 | 77,559,740 |
| Less: Accumulated depreciation (Note 1) | 55,092,757 | 52,464,443 |
| | <u>27,434,655</u> | <u>25,095,297</u> |
| | <u>\$108,498,437</u> | <u>\$ 98,744,780</u> |

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

W. M. Gilchrist, Director

N. M. Ediger, Director

LEAR LIMITED

(In accordance with the Companies Act)

December 31, 1974

Liabilities and Shareholders' Equity

| | <u>1974</u> | <u>1973</u> |
|---|----------------------|----------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 4,523,962 | \$ 1,351,933 |
| Interest due on loans from Canada (Note 4) | 5,292,760 | — |
| Advance payments in respect of concentrates and refined products to be delivered | 713,281 | 128,220 |
| | <u>10,530,003</u> | <u>1,480,153</u> |
| Advance payments in respect of concentrates to be delivered in later years | 659,411 | 896,864 |
| Deferred accounts in respect of purchase and development programs | 2,154,521 | 2,132,934 |
| Loans from Canada (Note 4) | 53,044,675 | 53,044,675 |
| Interest on loans — payment deferred | — | 1,718,387 |
| | <u>53,044,675</u> | <u>54,763,062</u> |
| Shareholders' Equity | | |
| Government of Canada Capital Stock: | | |
| Authorized — 110,000 shares of no par value | | |
| Issued — 70,500 shares, fully paid | 6,586,080 | 6,586,080 |
| Retained earnings | 35,523,747 | 32,885,687 |
| | <u>42,109,827</u> | <u>39,471,767</u> |
| | <u>\$108,498,437</u> | <u>\$ 98,744,780</u> |

I have examined the above balance sheet and the related statements of income and expense, retained earnings and changes in financial position, and have reported thereon under date of March 6, 1975 to the Minister of Energy, Mines and Resources.

J. J. MACDONELL,
Auditor General of Canada.

ELDORADO NUCLEAR LIMITED

Notes to Financial Statements

1. Accounting Policies

Inventory Valuation:

Inventories of concentrates and refined products are valued at the lower of cost or realizable value. Operating and general supplies are valued at cost.

Subsidiary Companies:

The assets, liabilities, income and expense of the Company's wholly-owned subsidiaries, Northern Transportation Company Limited (and subsidiary companies) and Eldorado Aviation Limited have not been included in the financial statements of Eldorado Nuclear Limited, notwithstanding the material effect these would have on the consolidated financial position. The Company has accounted for its investments in these subsidiaries on the cost basis rather than the equity method. Under the Financial Administration Act Eldorado Nuclear Limited and the major subsidiary company, Northern Transportation Company Limited, are accountable to Parliament through different Ministers, and consequently it is considered inappropriate to consolidate their financial statements or for Eldorado Nuclear Limited to employ the equity method of accounting for its investments in the subsidiaries.

Pre-production and Mine Development Costs:

Refinery pre-production and mine development costs are being written off by unit of production methods ensuring full amortization over not more than ten years at capacity output.

Depreciation:

Wherever appropriate depreciation is taken on a unit of production basis at rates which would fully amortize the assets over ten years at capacity output. Where a unit of production basis is not appropriate, plant and equipment are written off over ten years on a straight-line basis.

Income Taxes:

The Company has followed the taxes payable basis of accounting whereby the provision for income taxes represents the taxes expected to be assessed for the period.

2. Inventories

Included in inventories is \$10,055,088 representing concentrates on loan to an electric utility to be replaced not later than July 1, 1977.

3. Income of Wholly-owned Subsidiary Companies

Northern Transportation Company Limited and subsidiary companies incurred a loss of \$4,406,492 for the year 1974. Operating revenue includes \$386,583 in freight revenue from Eldorado Nuclear Limited. The net expense of Eldorado Aviation Limited totalling \$1,195,469 for the year 1974 was recovered from Eldorado Nuclear Limited and Northern Transportation Company Limited. The aggregate undistributed profits earned by the subsidiaries since acquisition by Eldorado Nuclear Limited amount to \$1,906,506.

4. Loans from Canada

The terms of the Company's financing arrangements were amended by Order in Council P.C. 1973-1772 of June 26, 1973 which provides for repayments of principal to be deferred until 1978 or earlier at the Company's option but to be completed by 1983. Interest on the loans may also be deferred at the Company's option until December 31, 1984. These loans bear interest at rates up to 8³/₈%.

5. Exploration

Exploration expenditures for the year amounted to \$1,717,703 of which \$1,190,711 was charged against a \$1,500,000 payment from Canada to provide funding levels to the Company for participation in a program of uranium exploration. The balance of \$309,289 will be expended on the program early in 1975.

6. Depreciation and Amortization of Pre-production and Mine Development Costs

Depreciation for the year totalled \$2,783,628, and the amortization of pre-production and mine development costs amounted to \$4,137,671 including the unamortized balance of \$3,448,245 of zirconium pre-production expense, which was written off because of

continuing uncertainty as to the resumption of zirconium production.

7. Income Taxes

No income taxes are payable for 1974 as losses carried forward from prior years exceed the estimated taxable income. The undepreciated balance of fixed assets for tax purposes as at December 31, 1974 exceeds the net book value of depreciable fixed assets by \$18.8 million and is available to reduce taxable income in future years. There also remain loss carry-forwards of \$1.9 million available to reduce taxable income in future years, of which \$.6 million is available until December 31, 1976 and \$1.3 million until December 31, 1977.

8. Supplementary Information

The Company had eight directors and eight officers; of the eight directors two were also officers. The aggregate remuneration paid the officers and directors during the year was \$219,000 as officers and \$6,000 as directors. Northern Transportation Company Limited had ten directors and seven officers; of the ten directors four were also officers. The aggregate remuneration paid the officers and directors during the year was \$125,900 as officers and \$1,000 as directors. Grimshaw Trucking and Distributing Ltd., a wholly-owned subsidiary of Northern Transportation Company Limited, had five directors and six officers. The aggregate remuneration of the officers during the year was \$17,000. No directors fees were paid. Eldorado Aviation Limited had five directors and three officers, two of whom were also directors. Remuneration of \$6,000 was paid to one director.

Auditor General
of Canada

Ottawa, March 6, 1975.

The Honourable Donald S.
Macdonald, P.C., M.P.,
Minister of Energy, Mines and
Resources,
Ottawa.

Sir,

I have examined the balance sheet of Eldorado Nuclear Limited as at December 31, 1974 and the statements of income and expense, retained earnings and changes in financial position for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

The Company has accounted for its investments in subsidiary companies on the cost basis ever since they were acquired and even though this basis is no longer generally accepted it continues to do so for the reason given in Note 1 to the financial statements dealing with subsidiary companies.

In my opinion these financial statements give a true and fair view of the financial position of the Company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles, except for the matter described in the preceding paragraph, applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under my notice have been within the statutory powers of the Company.

Yours faithfully,

J. J. MACDONELL,
Auditor General of Canada.

ELDORADO NUCLEAR LIMITED

Statement of Retained Earnings

for the year ended December 31, 1974

| | <u>1974</u> | <u>1973</u> |
|------------------------------------|----------------------|----------------------|
| Balance at beginning of year | \$ 32,885,687 | \$ 35,827,563 |
| Net income for the year | 2,638,060 | (2,941,876) |
| Balance at end of year | <u>\$ 35,523,747</u> | <u>\$ 32,885,687</u> |

The accompanying notes are an integral part of the financial statements.

ELDORADO NUCLEAR LIMITED

Statement of Changes in Financial Position

for the year ended December 31, 1974

| | <u>1974</u> | <u>1973</u> |
|--|----------------------|----------------------|
| Source of Funds: | | |
| Net income (loss) before extraordinary items | \$ 5,587,742 | \$ (2,941,876) |
| Add: | | |
| Items not requiring an outlay of funds: | | |
| Depreciation (Notes 1 and 6) | 2,783,628 | 2,392,115 |
| Amortization of pre-production and mine development costs (Notes 1 and 6) | 689,426 | 1,523,956 |
| Interest on loans | — | 3,193,222 |
| Other | 18,587 | 342,515 |
| Total funds from operations | <u>9,079,383</u> | <u>4,509,932</u> |
| Maturing of deferred accounts receivable | 1,861,473 | 1,105,051 |
| Sale of land | 501,563 | — |
| Payments received on debentures and housing loans | 100,267 | 97,111 |
| Deferment of loans due during 1973 | — | 7,103,828 |
| Loans from Canada | — | 5,000,000 |
| | <u>11,542,686</u> | <u>17,815,922</u> |
| Application of Funds: | | |
| Property and equipment | 5,122,986 | 1,336,667 |
| Pre-production and mine development costs | 112,756 | 464,436 |
| Deferred loan interest to be paid in 1975 | 1,718,387 | — |
| Maturing of long-term advance payments | 237,453 | (108,698) |
| | <u>7,191,582</u> | <u>1,692,405</u> |
| Increase in Funds | 4,351,104 | 16,123,517 |
| Working Capital at beginning of year | 62,089,930 | 45,966,413 |
| Working Capital at end of year (Note 2) | <u>\$ 66,441,034</u> | <u>\$ 62,089,930</u> |

The accompanying notes are an integral part of the financial statements.

ELDORADO AVIATION LIMITED

Honourable Donald S. Macdonald, P.C., M.P.,
Minister of Energy, Mines and Resources,
Ottawa, Ontario.

Sir:

In accordance with Section 85(3) of the Financial Administration Act, I have the honour to submit herewith the Annual Report of Eldorado Aviation Limited for the year ended December 31, 1974.

Since 1953, when the former Aviation Division of Eldorado was incorporated as a separate company, Eldorado Aviation Limited has provided highly efficient and low-cost air support under contracts with Eldorado Nuclear Limited and Northern Transportation Company Limited, operating a Class 5 service out of a base at the Edmonton Industrial Airport.

In 1974, this support continued on a routine basis. The operating statistics varied only slightly from those of 1973, with a per-mile cost 6% above that of the previous year, despite increases far exceeding that percentage in labour, fuel and supplies.

The two DC-4 aircraft provided five days per week service to the Beaverlodge Mine, and flights to Inuvik for Northern Transportation Co. Ltd., as required. Two Bell helicopters

rendered support services and ice reconnaissance for NTCL's shipping activities, while a third Bell provided service, as required, to the Mine operation.

As in the previous year, the Company's maintenance staff provided direct support to NTCL's successful hovercraft operation in the Arctic.

In the 30-year period since 1944, when the first aircraft were acquired, some 18,218,000 flying miles have been operated, carrying 204,000 passengers and 117,700 tons of freight.

The Company's staff at year-end was 50, headed by G. Gordon Latham as General Manager. Salaries and wages in 1974 amounted to \$650,844, and Company contributions to group life, medical and pension plans totalled \$61,718—up by 17% and 21% respectively.

For the Directors



W. M. Gilchrist
President

ELDORADO AVIATION LIMITED

(Incorporated under the Canada Corporations Act)

Balance Sheet as at December 31, 1974

| | Assets | 1974 | 1973 |
|---|--------|-------------------|-------------------|
| Current Assets: | | | |
| Cash | | \$ 114,544 | \$ 87,701 |
| Accounts receivable: | | | |
| Eldorado Nuclear Limited | | 25,408 | 20,479 |
| Northern Transportation Company Limited | | 15,373 | 23,378 |
| Other | | 9,701 | 1,549 |
| | | <u>50,482</u> | <u>45,406</u> |
| Operating supplies, at cost | | 77,211 | 69,296 |
| Prepaid insurance | | 9,300 | 4,828 |
| | | <u>251,537</u> | <u>207,231</u> |
| Capital Assets, at cost: | | | |
| Aircraft, including major spare parts | | 916,617 | 980,653 |
| Shop, hangar and loading equipment | | 58,280 | 47,731 |
| Office furniture and equipment | | 11,685 | 9,957 |
| | | <u>986,582</u> | <u>1,038,341</u> |
| Less: Accumulated depreciation (Note 1) | | 844,324 | 914,320 |
| | | <u>142,258</u> | <u>124,021</u> |
| | | <u>\$ 393,795</u> | <u>\$ 331,252</u> |

Liabilities and Shareholders' Equity

| | 1974 | 1973 |
|---|-------------------|-------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 108,750 | \$ 46,207 |
| Shareholders' Equity: | | |
| Capital stock: | | |
| Authorized — 50,000 shares of \$1 each | | |
| Issued — 28,006 shares fully paid | 28,006 | 28,006 |
| Surplus | <u>257,039</u> | <u>257,039</u> |
| | <u>285,045</u> | <u>285,045</u> |
| | <u>\$ 393,795</u> | <u>\$ 331,252</u> |

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

W. M. Gilchrist, Director

R. C. Powell, Director

I have examined the above balance sheet and the related statement of recoverable expense and have reported thereon under date of February 28, 1975 to the Minister of Energy, Mines and Resources.

J. J. MACDONELL,
Auditor General of Canada.

ELDORADO AVIATION LIMITED

Statement of Recoverable Expense

for the year ended December 31, 1974

| | 1974 | 1973 |
|--|--------------------|--------------------|
| Salaries and wages | \$ 530,394 | \$ 533,726 |
| Employee benefits | 61,718 | 51,118 |
| Supplies | 295,094 | 219,706 |
| Repairs | 140,331 | 204,436 |
| Hangar expense | 71,694 | 47,594 |
| Insurance | 36,929 | 37,231 |
| Depreciation (Note 1) | 33,244 | 31,328 |
| Landing fees | 17,152 | 15,950 |
| Travel | 5,207 | 2,902 |
| Miscellaneous | 29,154 | 21,298 |
| | <u>1,220,917</u> | <u>1,165,289</u> |
| Miscellaneous Income | 25,448 | 17,486 |
| Net expense | <u>\$1,195,469</u> | <u>\$1,147,803</u> |
| Net expense recovered from: | | |
| Eldorado Nuclear Limited | \$ 841,480 | \$ 694,775 |
| Northern Transportation Company Limited | 353,989 | 453,028 |
| | <u>\$1,195,469</u> | <u>\$1,147,803</u> |

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Depreciation is based on a diminishing balance method at various rates based on the estimated useful life of the depreciable assets.
2. The Company has five directors and three officers; of the five directors, two were also officers. Remuneration of \$6,000 was paid during the year to one director.

Ottawa, February 28, 1975

The Honourable Donald S.
Macdonald, P.C., M.P.,
Minister of Energy, Mines and
Resources,
Ottawa.

Sir,

I have examined the balance sheet of Eldorado Aviation Limited as at December 31, 1974 and the statement of recoverable expense for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements give a true and fair view of the financial position of the Company as at December 31, 1974 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under my notice have been within the statutory powers of the Company.

Yours faithfully,

J. J. MACDONELL,

Auditor General of Canada.

